



Expense management

Uncover savings from meal and entertainment expenses

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01

Uncover savings from meal and entertainment expenses

Are you looking at ways to control company expenses and uncover real hard-dollar savings?

Managing and calculating the fringe benefit tax (FBT) liability on meals and entertainment can be incredibly challenging and time consuming. In an economic climate where expenses are increasing and budgets are shrinking, you simply cannot afford to over-calculate, and over pay, your FBT obligations. Make sure you have the tools in place to optimise the calculation processes—and potentially deliver real savings back to your business.

This presents a prime opportunity for your organisation to strategically invest in gaining a competitive advantage. Avoid any miscalculations in your FBT liability calculations by making the right decisions now. It's a matter of identifying attendees who might trigger FBT, and with Concur's solution, you can accomplish this effortlessly. Our tools are designed to optimise efficiency, ultimately saving valuable time for your indirect tax team or external consultants. Additionally, we offer support in benchmarking against your preferred and current methods. The way to streamline your FBT management process for maximum effectiveness.

“Today's businesses are under constant pressure to reduce costs yet many find it hard to do so in a sustainable fashion.”

KPMG, Rethinking cost Structures, Creating a sustainable cost advantage

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Three calculation methods of meal and entertainment FBT liability

While many organisations can confidently identify where FBT is applicable or not, they often struggle to identify which method is best for their business and, as a result, pay more FBT than necessary.

The FBT liability for meals and entertainment is calculated on an annual basis, beginning 1 April and ending 31 March, using one of three methods: the 50/50 split, the 12-week register or the Actual.

50:50 SPLIT METHOD

As a general rule, the 50:50 split method comes into play when you do not have all the attendee data, and it is often the method which requires the least amount of effort. This method calculates FBT on 50% of the total expenditure on all meal entertainment for all people (irrespective if they're employees, clients or others) during the FBT year. The total meal entertainment expenditure includes expenses that might otherwise be exempt from FBT or not normally subject to FBT.

12-WEEK REGISTER METHOD

The 12-week Register method involves tracking the taxable value of each individual fringe benefit (costs and recipients). The percentage of meals and entertainment provided to employees (vs non-employees) as itemised within the register over a 12-week period is then applied to the total expenditure on all meal entertainment for all people during the FBT year.

ACTUAL METHOD

Choose this method to calculate the taxable value based on actual expenditure. It may be most appropriate when organisations can identify the attendees of the majority of meals and entertainment provided at individual events or the total value of all meals and entertainment during the FBT year.

“Many businesses use the 50/50 method as they don't have the systems or resources in place to analyse the most tax effective FBT calculation method.”

Source: Concur Consultant.

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Comparing FBT calculation methods

A better understanding of the three FBT calculation methods will help guide you in the right direction. However, the only way to confirm which method is best is to test them. Consider the example below.

SUMMARY OF CALCULATION METHODS

Actual Method

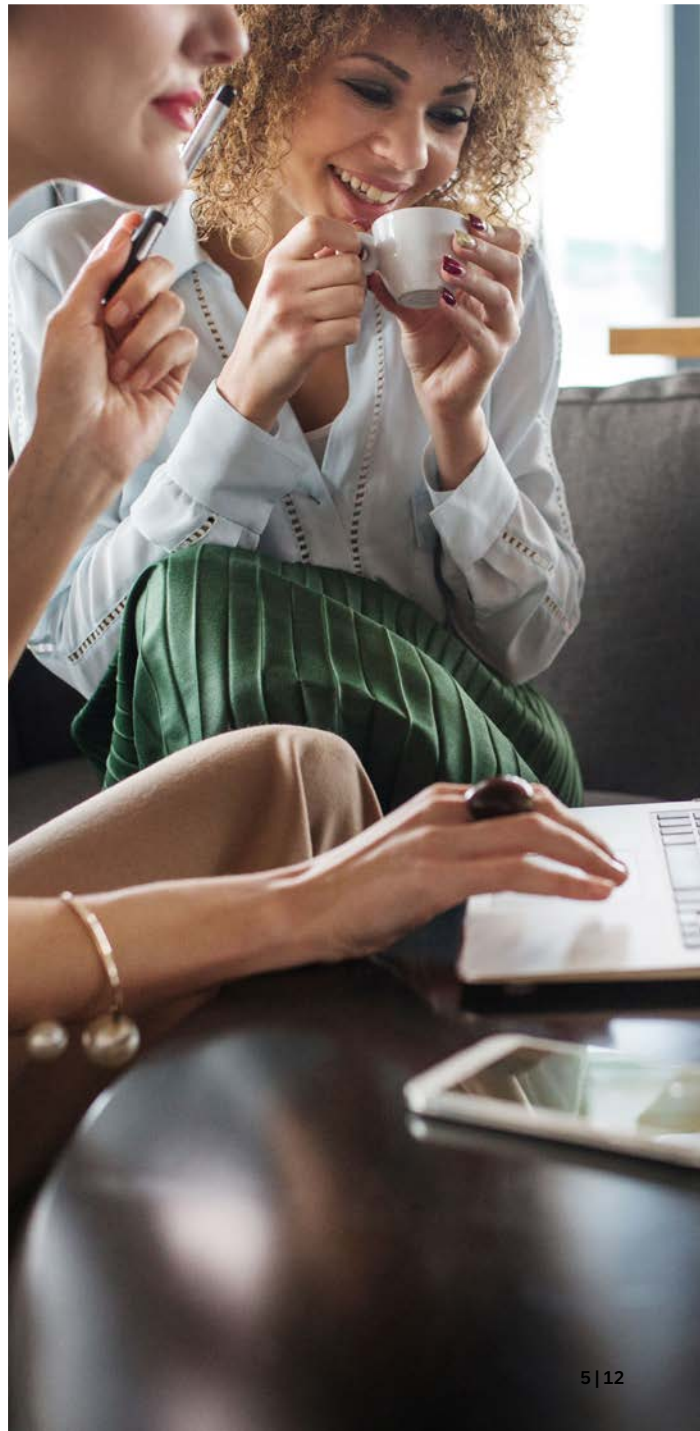
Attendee type	FBT applicable
Employee – non travelling	Yes
Employee – Travelling	No
Business Guest	No

50:50 Method

Attendee type	FBT applicable
All Employee / Customer Meal Entertainment	50%

12 week Register Method

Attendee type	FBT applicable
Employee Meal Entertainment over 12 weeks	Employee portion only



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So why does the FBT calculation method matter?

SAP Concur has worked with many organisations in Australia, who leverage our solutions to optimise their FBT calculation on meal and entertainment expenses processed through SAP Concur. Below is a simple example of how the FBT liability can vary based on the calculation method that is used when

determining the taxable amount of your meal and entertainment spend.

Please note that for the purposes of keeping this example relatively simple, the tax deductibility portion of the calculation is not included.

FBT CALCULATION EXAMPLE: FBT LIABILITY

= Amount subject to FBT x gross up factor (2.08) x tax rate (47%)

1. Actual calculation method

FBT liability = Employee portion of meal cost x gross up factor (2.08*) x tax rate (47%*)

TOTAL MEAL COST – \$1,600				
	EMPLOYEES	EMPLOYEES TRAVELLING	BUSINESS GUESTS	TOTAL
Number of employees	2	2	4	8
Portion of meal FBT liable	Yes	No	No	-
Amount subject to FBT	2 x \$200	\$0	\$0	\$400

Calculation $\$400 \times 2.08 \times 47\%$

FBT Liability = \$391.08

2. 50:50 split calculation method

FBT liability = 50% of total meal cost x gross up factor (2.08*) x tax rate (47%)

TOTAL MEAL COST – \$1,600		
	50% of spend FBT liable	50% of spend FBT exempt
Amount subject to FBT	\$800	\$0

Calculation $\$800 \times 2.08 \times 47\%$

FBT liability = \$782.15

Results = \$391.07 or 50% savings.

This example highlights the fact that the ratio of employees who attract FBT liability to clients can vary considerably. It also demonstrates:

- The importance of identifying employees who are travelling as they are “Otherwise Exempt” and not subject to FBT.

- If you are not capturing all of the attendee data, it is near impossible to accurately determine what the optimal method is for determining your FBT liability.

* Type 1 Gross-up rate and FBT rate for FBT year ending 31 March 2024

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Breaking down attendee uncertainty

The good news is, with SAP Concur solutions you can easily attribute your meal and entertainment expenses to the guests in attendance, and to the appropriate attendee types.

With this level of granular data capture, you can identify and allocate expenses across business guests and travelling employees as well as non-travelling employees and associates.

Meal Entertainment - Attendee Analysis											
Spend for Payment Date: Between Apr 1, 2013 and Mar 31, 2014											
Employee	Report Name	Service Payment Date	Expense Type	Transaction Date	Vendor	Attendee Type	Attendee Name	Title	Company	Approved Amount	
Goss, Matthew	Expense Report 1	Feb 3, 2014	Entertainment meals with clients	Jan 16, 2014	Linda Chioie	Business Guest	Bill Smith		Company A	14.22	
	Expense Report 1	Feb 3, 2014	Entertainment meals with clients	Jan 16, 2014	Linda Chioie	Business Guest	Matthew Goss	Product Specialist	Company B	14.22	
	Expense Report 1	Feb 3, 2014	Entertainment meals with clients	Jan 16, 2014	Linda Chioie	Employee-non-travelling	Matan Jagers		Company C	14.22	
	Expense Report 1	Feb 3, 2014	Meals (Employee Travelling)	Jan 24, 2014	Amory what cafe	Business Guest	Matthew Goss	Product Specialist	Company D	5.28	
	Expense Report 1	Feb 3, 2014	Meals (Employee Travelling)	Jan 24, 2014	Amory what cafe	Employee-non-travelling	Matan Jagers		Company A	5.28	
	Expense Report 1	Feb 3, 2014	Meals (Employee Travelling)	Feb 7, 2014	Marving/Past Cafe	Business Guest	Matthew Goss	Product Specialist	Company B	13.21	
	Expense Report 1	Feb 3, 2014	Meals (Employee Travelling)	Feb 7, 2014	Marving/Past Cafe	Employee-travelling	Matan Jagers		Company C	13.21	
	Expense Report 1	Feb 3, 2014	Meals (Employee Travelling)	Feb 7, 2014	Subway/Launceston	Employee-non-travelling	Matan Jagers		Company D	3.99	
	Expense Report 2	Nov 26, 2013	Entertainment meals with clients	Nov 13, 2013	Coles Supermarkets	Business Guest	Adelle Bernard	Manager	Company A	7.23	
	Expense Report 2	Nov 26, 2013	Entertainment meals with clients	Nov 13, 2013	Coles Supermarkets	Business Guest	Karen Parr	Care Manager	Company B	7.23	
	Expense Report 2	Nov 26, 2013	Entertainment meals with clients	Nov 13, 2013	Coles Supermarkets	Business Guest	Glen Jermy	Team Leader	Company C	7.23	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Bellmont 1611 sailing club	Business Guest	Matthew Goss	Product Specialist	Company B	32.96	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Bellmont 1611 sailing club	Business Guest	Vivienne The	Clinical Manager	Company A	32.97	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Bellmont 1611 sailing club	Employee-non-travelling	Matan Jagers		Company B	32.96	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Brown-Dog	Business Guest	Matthew Goss	Product Specialist	Company C	15.08	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Brown-Dog	Business Guest	Vivienne The	Clinical Manager	Company D	15.07	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Brown-Dog	Employee-travelling	Matan Jagers		Company A	15.08	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Deck 50 restaurant	Business Guest	Matthew Goss	Product Specialist	Company B	48.20	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Deck 50 restaurant	Business Guest	Vivienne The	Clinical Manager	Company C	48.19	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Deck 50 restaurant	Employee (Self)	Matan Jagers		Company D	48.20	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Pastadelli	Business Guest	Matthew Goss	Product Specialist	Company A	10.17	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Pastadelli	Business Guest	Vivienne The	Clinical Manager	Company B	10.17	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Pastadelli	Employee (Self)	Matan Jagers		Company C	10.17	
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Sesames on the Lake	Business Guest	Matthew Goss	Product Specialist	Company D	34.05	
	Goss, Matthew										464.59

SAP Concur solutions can also provide reporting that allows you to analyse your spend data down to the attendee level. This means you can easily determine your total meal and entertainment spend, based on the applicable expense types.

You can determine your FBT liability based on the 50/50 split method, but how much are you overpaying? The FBT Attendee Analysis report provides organisations with their FBT liability based on each of the calculation methods to determine which method delivers the lowest FBT obligation.

Meal Entertainment - Attendee Analysis										
Spend for Payment Date: Between Apr 1, 2013 and Mar 31, 2014										
Employee	Report Name	Service Payment Date	Expense Type	Transaction Date	Vendor	Attendee Type	Attendee Name	Title	Company	Approved Amount
Goss, Matthew	Expense Report 1	Feb 3, 2014	Entertainment meals with clients	Jan 16, 2014	Linda Chioie	Employee-non-travelling	Matan Jagers		Company C	14.22
	Expense Report 1	Feb 3, 2014	Meals (Employee Travelling)	Jan 24, 2014	Amory what cafe	Employee-non-travelling	Matan Jagers		Company A	5.28
	Expense Report 1	Feb 3, 2014	Meals (Employee Travelling)	Feb 7, 2014	Subway/Launceston	Employee-non-travelling	Matan Jagers		Company D	3.99
	Expense Report 2	Nov 26, 2013	Entertainment Staff meals	Nov 13, 2013	Bellmont 1611 sailing club	Employee-non-travelling	Matan Jagers		Company B	32.96
Goss, Matthew										62.45

By filtering the date range using the prompts, you can also determine the percentage of relevant employee spend based on the 12-week Register method.

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Why Concur?

SAP Concur solutions are highly configurable and can accommodate our customers' requirements in nearly all scenarios. The dedicated local Australian GST and FBT tax administration modules ensure you are capturing and allocating your expense transactions accurately, based on your specific chart of account requirements and provides that data to your accounting system for general ledger postings.

With visibility and real-time access to your meal and entertainment spend including dynamic travel diaries, you can forecast the impact of any guidance changes made by the Australian Tax Office as they relate to this category of spend.

Analysing, preparing and reporting your fringe benefit tax can be time consuming for your tax team, or result in significant costs from a tax advisor. SAP Concur solutions can save you time and effort, as well as optimise your FBT position.

Finally, some of our customers have realised a reduction in their FBT liability which has been greater than their cost to invest in their SAP Concur solutions. Ensure your business case realises all the benefits and gain complete visibility into your employee driven spend.

“When calculating the potential return on investment for new technology, it's important to consider the financial cost of doing nothing.”

Concur, 5 Reasons Businesses Don't Automate Their Expenses

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6 FBT strategies for getting ahead with Concur

1. AUTOMATE THE EXPENSE-MANAGEMENT PROCESS.

- Allows businesses to use real data to determine the “lowest FBT liability.”
- Achieve 100% visibility into your expenses and enforce your company T&E policy.
- Save your employees time and optimise your expense-management process.

2. USE CLEAR DESCRIPTIVE DEFINITIONS FOR MEAL AND ENTERTAINMENT EXPENSES.

Over complicate, and you will confuse your employees — the quality of your data will also be impacted. See table below.

3. ENABLE YOUR EMPLOYEES.

Ensure employees understand the difference between the travelling and non-travelling employee status.

Digital adoption tools such as Concur User Assistant and Enable Now can help guide employees with embedded, on-demand prompts and guidance.

4. USE AN EMPLOYEE MASTER LIST TO ENSURE DATA ACCURACY.

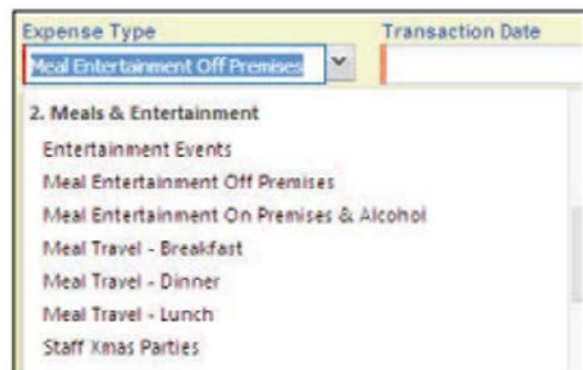
Make it simple to search for employee data and avoid multiple versions.

5. INTEGRATE WITH TECHNOLOGY PARTNERS.

SAP Concur can integrate with other technology partners to automate GL posting, centralise and ensure accuracy of your master data sources, and easily connects with global partners to validate indirect tax obligations.

6. REVIEW YOUR FBT REPORTING METHOD ON AN ANNUAL BASIS.

Do not assume a specific calculation method will always realise the “lowest FBT liability.” Business needs and spend patterns are constantly evolving and technology can provide greater data insights, quickly.



Examples of clear descriptive meal and entertainment expenses.

“When it comes to preventing costs, automation is key. It’s the very definition of cost-avoidance and future proofing: spending now, to save (much more) later.”

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APPENDIX

PUTTING THE RIGHT POLICIES IN PLACE

When it comes to keeping the tax authority happy, it's all about having the process nailed down. Start with having a policy that guides the way you and your employees approach expense claims, reimbursements and approvals.

WHAT THE ATO WANTS TO SEE

1. Appropriate documentation

'Appropriate documentation' means a full and robust end-to-end record of forms, receipts and approval processes which allows the company to prevent things from falling through the cracks. A business reason should be provided for why every line item was incurred, and every line item should be documented and supported by an appropriate tax invoice to show that the money has been spent. Logs of items such as mileage must also be kept for FBT purposes, or a company could be liable.

2. Appropriate checks and controls

The ATO often looks to make sure that appropriate checks and controls have been carried out on those completed forms. Typically, these checks are performed by your finance team or outsourced as an audit process to a third party.

These are the sorts of checks and controls that should be in place:

- A way of making sure there is an appropriate process.
- Some kind of receipt verification.

UNDERSTANDING FBT ON FOOD AND DRINK

FBT on food and drink is often an area of contention and may cause a lot of stress within companies – especially with rules that rely on analysis and that can often be subjective. That said, we have provided some guidelines to help you assess whether the provision of food and drink constitutes entertainment and therefore attracts FBT. The below table provides some guidance on how to determine the treatment of food and drink in the context of entertainment for FBT purposes.

Determining if food or drink is entertainment

Factor	Less likely to be entertainment	More likely to be entertainment
Why are you providing the food or drink for employees?	So employees can complete the working day in comfort	In a social situation where the purpose is for employees to enjoy themselves
What type of food or drink are you providing?	Light food and refreshments, no alcohol	Elaborate food or meal, alcohol
When are you providing the food or drink?	During work time or overtime, or while employee is	Outside work time
Where are you providing the food or drink?	travelling for work	Off your business premises, such as at a function room, hotel or restaurant, or consumed with other forms of entertainment

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How technology can help

Once you have a policy in place, you might want to consider taking the next step toward simplifying your FBT and GST management process: implement a robust expense solution.

Technology is revolutionising the expense-management process and, by association, the FBT and GST management process. Developments have ensured the process is more user-friendly and efficient while simultaneously supporting employees and ensuring they adhere to policies. Some of the key benefits include:

SINGLE PLATFORM

Using an integrated expense-management solution on a single platform ensures that all travel- and entertainment-related activity is captured in one place. The single platform makes it easy to analyse expenses, ensure GST requirements are being met and that the appropriate level of FBT is paid.

CARD INTEGRATION

By automatically capturing transaction data directly from corporate credit cards, your travel and entertainment solution can populate the information directly into expense reports. This eliminates the need for manual data entry and significantly reduces the opportunity for human error.

POWERFUL DATA ANALYTICS

Improve visibility into your organisation by comparing itinerary data, corporate card charges, cash expenses, invoices and supplier-contracted rates. Automatic expense management tools allow you to track where your employees are spending money, find errors and ensure policy and regulatory compliance.

AUDIT

Automated solutions allow you to audit 100% of your expenses and analyse every piece of data. You can verify line-item expenses against submitted receipts and ensure purchases are within company policy, proactively reducing waste, misuse and abuse.

MOBILITY

With employees always on the go, the ability to complete expenses on the go makes the process faster and easier. Mobile applications allow expenses to be submitted and even approved via a mobile or tablet device, ensuring the process is faster, simple and seamless for all employees involved.

It's easy to get started!

SAP Concur can help your business across the board.



[Start a free trial](#)

concur.com.au/free-trial



[Contact us](#)

concur.com.au/contact



[Request a demo](#)

concur.com.au/demo

About SAP Concur

SAP Concur is the world's leading brand for integrated travel, expense, and invoice management. Driven by a relentless pursuit to simplify and automate everyday processes, the solutions guide employees through business trips, move authorised charges directly into expense reports, and automate invoice approvals. By integrating near real-time data and using AI to analyse transactions, businesses can see what they're spending, improve compliance, and avoid possible blind spots in the budget. SAP Concur is imagining a world where travel and expenses practically manage themselves, helping businesses run at their best every day.



Learn more at concur.com.au
or the [SAP Concur blog](#).